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The road ahead

Positioned for the future

Annual Report 2003-2004



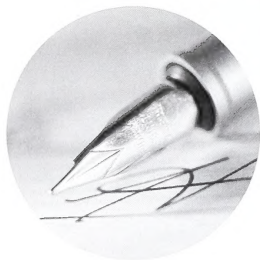


Annual Report 2003-2004

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Letter to the minister



Honourable Lorne Taylor
Minister of Environment
Government of Alberta
423 Legislature Building
Edmonton, AB T5K 2B6

Dear Minister:

On behalf of the Board of Directors of the Tire Recycling Management Association of Alberta (TRMA), I am pleased to present our Annual Report for the fiscal year April 1, 2003 to March 31, 2004. This is in accordance with Section 4 of the Tire Recycling and Management Regulation (Alta. Reg. 206/96).

Yours truly,

Sid Hinton
Chairman
Tire Recycling Management Association of Alberta



Chairman's report



More scrap tires were recycled in Alberta in this fiscal year than in any previous year. A total of nearly 3.5 million tires were recycled in 2003/2004, bringing the total to more than 30 million tires recycled under Alberta's tire recycling program to date.

Thirty million tires recycled translates into huge rewards for our environment and the healthy future of this province. The diversion of this incredible tonnage of waste from landfill equates to an estimated savings to taxpaying Albertans of well over \$200 million in lifecycle landfill costs. In addition, valuable new recycled tire materials and manufactured products bring benefits to Albertans, plus provide an additional benefit in reducing or replacing the use of non-renewable resources such as gravel in leachate collection systems or sand, paving stones or concrete in playgrounds, landscaping or other applications.

This year saw continued progress in the move toward a sustainable industry. Continued research into new processing and recycling technologies has ensured a solution to the successful recycling of off-road tires is on the horizon. Bringing these large agriculture, forestry and mining tires into the recycling stream will not only begin to eliminate the historic waste but also provide valuable new feedstock for manufacturers who are currently using virtually all the three million tires discarded in this province each year.

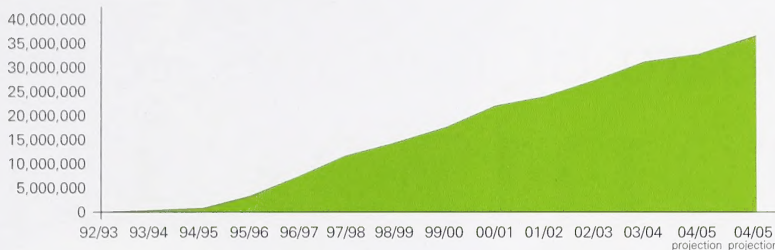
Our progress is shared through the Canadian Association of Tire Recycling Agencies whose membership consists of all provincial tire recycling programs. As Chair of this valuable network over the past year, I thank all members for their input and contributions toward enhancing the effectiveness of tire recycling nation-wide.

The following graph illustrates the cumulative number of scrap tires processed in Alberta since 1992. With no industry or markets existing at the outset, it was 1994 before significant numbers of scrap tires were processed (tires used as fuel in cement kilns was discontinued in August 1995).

The first milestone of 1 million tires processed occurred in 1995, with 10 million processed in 1998, 20 million in 2001, 25 million in fiscal 2002/03, 30 million in 2003/04. It is expected that the milestone of 35 million tire recycled will be reached during the 2004/05 fiscal year.

Total number of scrap tires processed in Alberta

(Cumulative Passenger Tire Equivalents – PTEs*)



*PTEs: Because tires vary in size and weight, the TRMA measures the amount of tires or tire material using a standardized unit based on weight, the Passenger Tire Equivalent or PTE, to represent an "average" car tire. One PTE equals 10 kgs (22 lb) of tire material. For example, there are 100 PTEs in one tonne of tires.

As we open the door on a new era in environmental stewardship in Alberta, I am pleased to report that Alberta's tire recycling program is well positioned for the future. Building on our solid foundation, we find success in the ingenuity of Albertans and their commitment to protecting and enhancing our environment.

I applaud the vision of the Government of Alberta and the dedication of the stakeholders, industry and board members past and present, whose commitment to this environmental challenge has paved the way to the success of Alberta's tire recycling program. I acknowledge the tire and vehicle dealers who have accepted their vital role in this important initiative, and all Albertans who recognize the value of preserving our environment and have accepted their role in Alberta's recycling stewardship programs.

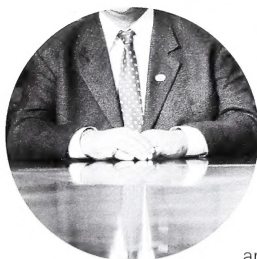
On behalf of the Board of Directors and administration, I am pleased to present the Tire Recycling Management Association of Alberta 2003/2004 Annual Report.

S.A. Hinton

Sid Hinton
Chairman

As we open the door on a new era in environmental stewardship in Alberta, I am pleased to report that Alberta's tire recycling program is well positioned for the future.

Board of directors & member organizations



The membership of the Tire Recycling Management Association of Alberta (TRMA) consists of 10 organizations, each with a direct interest in Alberta's scrap tire challenge. Each member organization appoints a representative to the Board of Directors for a three-year term. The Minister of Environment appoints an additional member, representing the public-at-large. The following are the members of the TRMA and their Directors for 2003/2004:

Member Organization

Alberta Association of Municipal Districts & Counties

Alberta Environment

Alberta Motor Transport Association

Alberta Urban Municipalities Association

Association of Professional Engineers, Geologists, Geophysicists of Alberta

Environmental Services Association of Alberta

Motor Dealers Association of Alberta

Recycling Council of Alberta

Toxics Watch Society of Alberta

Western Canada Tire Dealers

Public at Large

Director

Bart Guyon

Patrick Kane

John Finn
Ken Albrecht (*to Oct. 2003*)

John Trefanenko

Al Schulz, *Secretary/Treasurer*

Merv Domanko

Dwight Brown

Bruce MacKenzie

Myles Kitagawa

Dennis Irving

Sid Hinton, *Chairman*



Committees of the Board

- Executive Committee
- Assessment Committee
- Audit Committee
- Communication Committee
- Financial Analysis Committee
- Government Relations Committee

In addition, the Asphalt Steering Committee, representing all participants in the Asphalt Rubber Project reported to the Board through its Chair, Al Schulz.

Legislative mandate & accountability



The Tire Recycling Management Association of Alberta (TRMA) is a not-for-profit association that operates as a Delegated Administrative Organization (DAO) under the auspices of the Alberta Minister of Environment.

The TRMA is directly accountable to the Minister of Environment and reports annually on the fulfillment of its legislated mandate through the Three-year Business Plan, the Annual Budget and the Annual Report.

The Tire Recycling and Management Regulation authorizes the Tire Recycling Management Association to levy the Advance Disposal (Surcharge), which is to be used to provide or pay for any or all of the following:

- a scrap tire waste minimization and recycling program;
- education programs for the purpose of the scrap tire minimization and recycling programs;
- expenditures on the collection, transportation, storage, processing and disposal of scrap tires;
- research and development activities related to scrap tire management; and
- promotion of the uses of recycled scrap tire materials and products.

In addition to its legislative mandate, the TRMA must meet its obligations under the *Societies Act*, including reporting to its membership at the Annual General Meeting.

The TRMA's programs are designed with regard to the following funding principles to encourage the development of a viable tire recycling industry as the way to best achieve a sustainable solution to Alberta's scrap tire challenge:

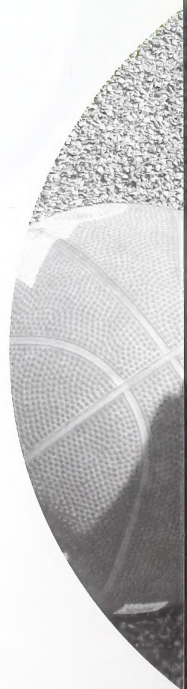
- **"Pay for Results" funding**

Tire recyclers are paid for performance based on the amount of tires that are successfully recycled and used. There are no loans, loan guarantees, start-up grants or bailouts.

- **"Value-added" funding**

An incentive structure has been put in place that supports the different stages of the recycling process, to encourage value-added processing in Alberta.

As a result, under TRMA programs, over 30 million scrap tires were recycled into valuable new products and uses, from the inception of the organization in 1992 to the end of fiscal 2003/04.



Aligned with Alberta Environment

The goals and strategies of the TRMA are directly linked to the mission, core businesses and goals of Alberta Environment as identified in its Business Plan. In this way, the TRMA forms part of the Ministry's contribution to the Government of Alberta's Business Plan.

Mission

The recycling of tires falls directly within the Ministry's mission "to steward and protect Alberta's environment to sustain diverse ecosystems, healthy Albertans, strong communities and a prosperous economy."

Goals

The TRMA's mandate and goals support the following Ministry's Goals:

- Goal 1** - Alberta Environment is a leader in proactive environmental protection, and the corresponding strategy of developing a long-term strategy for waste management;
- Goal 3** - Environmental protection is practiced as a collaborative effort through partnerships, and the corresponding strategy of expanding the use of Delegated Administrative Organizations to cut waste, enhance recycling and promote conservation; and
- Goal 4** - Improve environmental public education and communications.

Performance Measures

In its most recent three-year business plan (2003-2006), Alberta Environment has a target of reducing Municipal Solid Waste to landfills to 0.5 tonnes per capita by 2010 from the current level of approximately 0.75 tonnes per capita. The TRMA has contributed to this provincial target by diverting the scrap tire stream from Alberta landfills.



Executive director's report



No one knows exactly where the road ahead will lead, but it is safe to say that Alberta's tire recycling program is well positioned for whatever the future may hold. A year of technological advances, increased production, and ongoing dedication and support combined to ensure that the program continues as a leader in environmental stewardship.

The list of innovative new products manufactured from recycled tire materials continued to grow as did the quality of the products. Consumers around the world now have access to a wide range of quality, made-in-Alberta recycled tire products including:

- roofing tiles,
- sidewalk blocks,
- interlocking patio 'bricks' and tiles,
- industrial flooring tiles,
- mats for temporary oilfields roads,
- pour-in-place surfaces,
- rubberized stucco,
- non-slip deck guard,
- livestock mattresses,
- curb ramps,
- curling rink dividers,
- rubber crumb in playground and sports fields, and more.

Looking ahead, we know that future challenges lie in sustaining the tire recycling industry. Its success will greatly depend upon market acceptance of these products and the ability to continue to obtain the necessary supply of scrap tire feedstock to meet demand.

Tire processors are currently utilizing all the three million tires discarded in the province each year. As consumer demand increases, more feedstock will be required and more pressure will be placed on processing technologies and operations to become more effective and efficient.

In answer to this call, it looks promising that the large industrial tires used in agriculture, forestry and mining that have been piling up will be brought into the recycling system during the next fiscal year. This will provide additional feedstock to support the maturing industry and is a significant accomplishment as finding a recycling solution for these special-use tires has been a challenge due to their size and make up.

Research into the use of recycled rubber as an additive to Alberta's asphalt roadways continues as a way of reducing cracking and rutting in our roads plus providing a significant reduction in noise pollution and better traction. Project partners are confident that the development will significantly impact roadway construction and maintenance in the province, while providing yet another value-added market for Alberta's scrap tires.

In partnership with Alberta municipalities, the TRMA established regional scrap tire collection points across the province to support the need for better and more effective collection province-wide.

This year, we saw increased interest in the Centennial Municipal Demonstration Program. The excellent response received from Alberta communities means that we will exceed our goal of over 100 Alberta communities directly benefiting from new recycled tire products by 2005. Under the program, the TRMA provides funding for the use of recycled tire products in municipal and community projects. Walkways, playgrounds and arenas throughout the province have been upgraded and revitalized with new surfaces made from Alberta's recycled tires.

Research indicates that Albertans support the recycling of tires in this province but want to be better informed on how their \$4 is being utilized and what progress is being made. As a result, we initiated our first public awareness campaign, which included provincial television supported by regional billboards to get information to as many Albertans as possible on Alberta's tire recycling program.

Follow-up research indicates that the campaign was successful in informing Albertans and that they continue to be supportive. The effectiveness of the campaign was reinforced when the television spot won an Ace Award for Television Production at the annual ACE Awards event hosted by the Advertising Club of Edmonton, which recognizes the best in advertising in the Edmonton market.

Looking ahead, the Tire Recycling Management Association of Alberta will continue to seek improvements in all aspects of tire recycling including collection and processing; strengthening the sustainability of tire recycling through new uses, products and markets for recycled tire materials; more effective accountability and communication to Albertans; and improvements in operational and administration functions. In this way, we can ensure that Alberta's tire recycling program is well positioned for the future.



Doug Wright
Executive Director





Business plan



The TRMA uses a three-year rolling Business Plan to enable it to fulfill its legislative mandate to collect the Advance Disposal Surcharge (Surcharge) and use the revenues to manage the scrap tire issue and enhance tire recycling in Alberta.

Vision

A self-sufficient tire recycling industry that is the model of environmental excellence.

Mission

To manage scrap tire recycling in the best interests of Albertans.

Core Businesses

- **Management of Scrap Tires**

Develop efficient, effective, economic and environmentally sound solutions to deal with Alberta's scrap tires.

- **Scrap Tire Recycling Program**

Provide funding to the scrap tire processing and recycling industry, for scrap tire material successfully processed and used in an environmentally acceptable manner.

- **Administer the Advance Disposal Surcharge**

Effectively collect and manage Surcharge revenues in fulfillment of the TRMA's mandate, and manage the Tire Recycling and Management Fund to ensure that current and future liabilities can be addressed.

Goals

1. Develop the most effective, efficient and environmentally sound recycling solutions for all scrap tires discarded by Albertans.
2. Encourage the development of a self-sufficient tire recycling solution in Alberta.
3. Ensure full accountability for the Tire Recycling Management Association of Alberta.



Public Benefit Plan

The TRMA first established the Public Benefit Plan in 2002/03 to better address major challenges and opportunities facing the development of sustainable tire recycling in Alberta and enhance the benefits of tire recycling to Albertans. Over the past year, the Public Benefit Plan has been further developed and is comprised of the following four funding programs to enhance scrap tire management and tire recycling development that go beyond the scope of the TRMA's Incentive and Development programs.

1. Recycling Development Program

The Regulation allows the use of the Tire Recycling and Management Fund for research and development activities related to scrap tire management. Better processes, products and marketing will support a more profitable and sustainable industry. Some examples of the projects the TRMA is funding through the Public Benefit Plan include:

- The investigation of the use of recycled rubber and new paving technologies to improve the performance in asphalt pavements. This research project is in partnership with Alberta Transportation, the City of Calgary, the City of Edmonton, the City of Lethbridge, Strathcona County, the engineering departments at the Universities of Calgary and Alberta, Husky Energy, the Alberta Roadbuilders Association and the Heavy Construction Association.
- In partnership with the Alberta Research Council, research into "devulcanization"
 - the process of breaking down rubber tire material to its constituent components; and
- Funding for tire recycling companies to improve their recycling processes and technology.



2. Public Education and Information Programs

Increasing public awareness of and support for tire recycling is important for the success of tire recycling in Alberta. Stakeholder organizations are also key to the success of the tire recycling programs. Some examples of the programs and projects the TRMA is funding through these programs include:

- Centennial Municipal Demonstration Program - bringing recycled tire products "full-circle" back into Alberta communities so Albertans can see and directly benefit from the results of their recycling efforts.
- A project to supply safe, comfortable temporary floor matting for 4H shows and other community events, by partnering with the 67 rural municipalities in Alberta through their Agricultural Service Boards.
- Presentations and articles on tire recycling in communities throughout Alberta, through a public information campaign.

3. Scrap Tire Management Issue

The TRMA will continue to make funds available to ensure that all scrap tires in Alberta are properly managed, and ultimately collected and processed. Some examples of the programs and projects the TRMA is funding include:

- Major pilot projects to develop viable methods to recycle the valuable rubber in large "off-road" tires (agricultural, mining, forestry, construction and industrial tires), which are difficult to process with standard tire recycling equipment.
- Working in partnership with Regional Landfill Authorities, the TRMA is funding the design, materials, and construction of "Tire Marshalling Areas" to improve scrap tire collection especially in rural communities. Furthermore, the TRMA will better monitor the collection of tires from landfills and private scrap tire stockpiles where they occur.

4. 'E-business' Development

The TRMA understands that its operations and administration must be as efficient and effective as possible if its programs are to have maximum impact on tire recycling at a minimum cost to Albertans. The TRMA is enthusiastic about taking advantage of the latest available technologies with regard to expanding the use of "e-business" wherever practical. This initiative is intended to reduce a large amount of paperwork and effort required by over 2,000 registrants and the TRMA associated with Surcharge remittance and tire collection.

A comprehensive e-commerce system will be a major benefit to Alberta's tire recycling program, reducing the burden on industry while increasing administrative efficiency and ensuring better program delivery and information management. Some examples of the projects the TRMA is funding include:

- "Bar code scanning" technology to improve the administration of scrap tire collection,
- Internet-based fee remittance and reporting, and
- Interactive website communications.

The TRMA understands that its operations and administration must be as efficient and effective as possible if its programs are to have maximum impact on tire recycling at a minimum cost to Albertans.



Goals and performance measures



Goal 1

To develop the most effective, efficient and environmentally sound recycling solutions for all scrap tires discarded by Albertans.

Performance Measure 1.1

The total number of eligible scrap tires that are processed annually under TRMA programs.

Passenger Tire Equivalent [PTE] Recycled*

*PTEs: Because tires vary in size and weight, the TRMA measures the amount of tires or tire material using a standardized unit based on weight, the Passenger Tire Equivalent or PTE, to represent an "average" car tire. One PTE equals 10 kgs (22 lb) of tire material. For example, there are 100 PTEs in one tonne of tires.

1999/00 Results	3.36 million PTEs
2000/01 Results	3.22 million PTEs
2001/02 Results	3.30 million PTEs
2002/03 Results	3.31 million PTEs
2003/04 Results	3.47 million PTEs
2003/04 Target	3.45 million PTEs

Results

- For 2003/04, the total number of tires recycled was 3.47 million passenger tire equivalents (PTEs). This represents a slight growth in annual recycling rates, up from the previous year's number of 3.31 million PTE. This volume indicates that all available scrap tires discarded by Albertans are being recovered and recycled.
- During this period, the overall demand for the various recycled rubber material and products remained stable, processing all eligible tires discarded by Albertans. There was some shifting in the different types of recycled material produced, as shown in Performance Measure 1.2.

Comment

- It is anticipated that annual processing capacity will continue to meet and gradually exceed the volume of scrap tires discarded annually by Albertans.
- PTEs: Because tires vary in size and weight, the TRMA measures the amount of tires or tire materials using a standardized unit based on weight, the Passenger Tire Equivalent or PTE, to represent an "average" car tire. One PTE equals 10 kgs (22 lbs) of tire material. For example, there are 100 PTEs in one tonne of tires.

Performance Measure 1.2

The proportion of the total number of scrap tires that are processed annually under TRMA programs that go to Manufactured Product, Rubber Crumb, Civil Engineering and Tire-Derived Fuel.

Value-added Recycling

	Manufactured Product	Rubber Crumb	Civil Engineering
1999/00 Results	22%	39%	39%
2000/01 Results	11%	43%	46%
2001/02 Results	19%	35%	46%
2002/03 Results	20%	34%	46%
2003/04 Results	17%	29%	54%
2003/04 Target	25%	48%	27%

Definition of Headings

Manufactured Product – Products made from rubber crumb, such as molded bricks, dairy mattresses, and coatings.

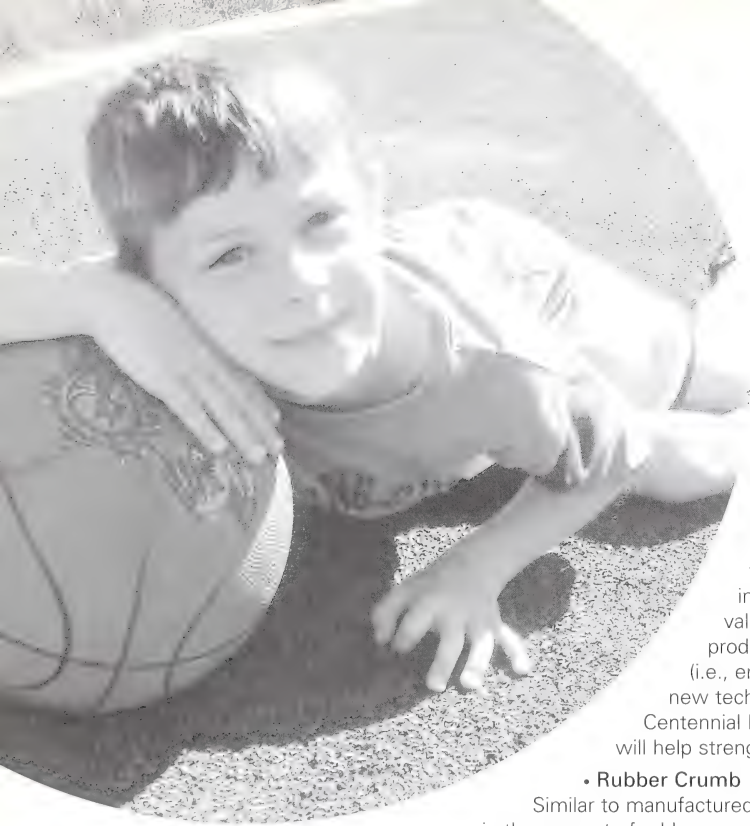
Rubber Crumb – Particles of rubber ground from shredded scrap tires - from pea-gravel size down to the consistency of flour – with the steel and fibre components removed. Uses for rubber crumb include feedstock to manufacturers and crumb applications such as playground surfaces (i.e., sand replacement).

Civil Engineering – The use of tire "shred" as value-added material in civil engineering projects because of its superior characteristics (i.e., drainage, insulation, lightweight).

Tire "Shred" – pieces of mechanically cut-up tires, usually 1" or 2" chunks.

Tire-Derived Fuel (TDF) – The use of scrap tire material as fuel - either in the form of whole tires or tire shred - to recover the energy from the incineration of the rubber, is used worldwide.

*TRMA made two key policy decisions to move away from funding TDF and towards value-added recycling. The funding of whole tire TDF used in Alberta was discontinued in August 1995. The funding of TDF shred exported to the U.S. was discontinued in December 1997.



Results

• **Manufactured Product**

During this period, there was a decrease in the amount of manufactured product being processed, continuing the pattern of market variability. However, efforts to increase the market demand for value-added recycled products produced in Alberta markets (i.e., enhanced funding for developing new technologies and markets, and the Centennial Municipal Demonstration Program) will help strengthen future market demand.

• **Rubber Crumb**

Similar to manufactured product, there was a decrease in the amount of rubber crumb processed as compared to previous years. There are indicators that this could be the result of softening of international crumb markets. As above, developmental program funding will help strengthen the industry's ability to make and market value-added materials.

• **Civil Engineering**

With the decrease in the proportion of manufactured product and rubber crumb volumes, a resulting increase in civil engineering shred volumes were realized. The demand for shred by regional waste management authorities in Alberta continues to grow and, as a result, several projects throughout Alberta were completed. In addition, a major stockpile reduction project in southern Alberta resulted in a contribution to civil engineering projects of 0.5 million PTE plus a pilot project using off-road tires added to shred volumes.

Comment

- The TRMA continues to advocate value-added processing as a focal point of future sustainability of the industry. However, when short-term occurrences result in the decreased demand for rubber crumb and manufactured product, the ability to divert shred to civil engineering projects remains an important back-stop measure to ensure that there is a recycling solution for all the scrap tires Albertans discard annually.
- The industry continues to enhance the variety of new manufactured products and specialized rubber material produced. Sales of these products will generate increased demand during the next fiscal year.

Performance Measure 1.3

The proportion of the total number of scrap tires processed annually under TRMA programs that go into Alberta end uses or Alberta-made products.

Alberta Use

Fiscal Year

1999/00 Results	78%
2000/01 Results	75%
2001/02 Results	72%
2002/03 Results	83%
2003/04 Results	89%
2003/04 Target	73%

Results

- For this reporting period, the proportion of the total number of scrap tire material processed that goes into Alberta end uses achieved the highest level in several years. The resulting figure of 89% was well above the target of 73%.
- There was a steady demand during this period for material to remain within the province due to TRMA efforts including the Centennial Municipal Demonstration Program and civil engineering projects.

Comment

- The TRMA remains committed to ensuring that, where possible, recycled rubber material will be used to the greatest extent in Alberta both to benefit Albertans and to ensure adequate feedstock for value-added processing. To this end, the various projects funded by the TRMA that encourage the use of recycled tire material within the province will continue in the next fiscal year.

Goal 2

To encourage the development of a self-sufficient tire recycling solution in Alberta.

Performance Measure 2.1

Policies, strategies and programs that are directed toward self-sufficiency of the tire recycling industry, based on long term projections demonstrating decreasing processing incentive rates and program funding expenditures per PTE (in response to increasing profitability).

Results

- The TRMA continued efforts to move towards sustainability of the Alberta tire recycling industry during this reporting period. The definition of “sustainability” and resulting policies developed by the Board of Directors in the previous fiscal year were reaffirmed and remained a key commitment of the organization.
- The Tire Recycling Incentive Program and the Tire Recycling Development Programs are specifically designed to support industry sustainability through support for the recycling of all tires plus funding to enhance profitable value-added processing and markets. Through the work of the Financial Analysis Committee, the TRMA continued its efforts of assisting Alberta’s tire recycling industry by assessing the needs of the industry relative to the funding programs, and by providing concise program requirement details.
- TRMA administration maintained close contact with other jurisdictions and other key information sources concerning market trends in order to assess the ability of the industry to react to business opportunities.

Performance Measure 2.2

Annual expenditures on the processing of scrap tires plus TRMA operational costs do not exceed the annual Surcharge revenues collected. (Non-surcharge Revenues such as investment earnings and expenditures on non-processing or operations such as research and development are excluded because they do not arise directly out of the funding of scrap tire processing.)

Results

- Total Operating Expenditures of \$11,265,167 were lower than the Total Annual Surcharge Revenues of \$13,042,257.

Comment

- The TRMA continued its commitment to operate in a fiscally responsible manner by ensuring expenditures remain below Surcharge revenues.
- 88% of the expenditure increase from the previous year's figure was due to increased processing payments to recyclers as a result of the increased numbers of tires processed.



Goal 3

To ensure full accountability for the Tire Recycling Management Association of Alberta.

Performance Measure 3.1

Report against the TRMA's comprehensive accountability framework

- Assessment Operations Policy
- Audit Committee Policy
- Board Governance Policy
- Communications Operations Policy
- Conflict of Interest Policy
- Corporate Operations Policy
- Enforcement Operations Policy
- Financial Operations Policy
- Framework Policy
- Investment Fund Policy
- Personnel Operations Policy
- Recycling & Disposal Operations Policy
- Remuneration and Expense Policy

Administrative Procedures

- Data Management
- Disaster Recovery
- Records Management

Results

- The TRMA is accountable and reports to the Minister of Environment through the three-year Business Plan, Annual Budget, Annual Report and Audited Financial Statements.
- The TRMA accountability framework is linked to that of Alberta Environment in terms of reporting, feedback and response.
- The TRMA is committed to reporting regularly to Albertans on its performance and accountability.

Performance Measure 3.2

Monitor and respond to changes in the longer-term policy requirements for the Tire Recycling and Management Fund.

Results

- During this reporting period, the TRMA's Public Benefit Plan enacted in 2002/2003 was continued. The Plan supports the following initiatives that are aimed at enhancing the benefits and effectiveness of tire recycling in the province, including:
 - technology development and upgrading;
 - research and development projects;
 - public education and information; and
 - management of scrap tire issues including site clean up, electronic business systems (which enhance or augment the delivery of tire recycling programs).

The annual funding for the Public Benefit Plan continues to be drawn from the Tire Recycling and Management Fund. Therefore, as in the case of the previous year's reporting, these expenditures show on the attached financial statements as a deficit.

Comments

- There was a significant increase in expenditure under the Public Benefit Plan in 2003/2004. This was due, in part, to the plan's start-up mid point in the previous year, and major expenditures in the following areas: increased funding for Centennial Municipal Demonstration Program and tire management projects; major research and development initiatives; a major stockpile reduction project; and a public information campaign.

Performance Measure 3.3

The operation costs of the TRMA - consisting of Surcharge collection, program delivery and administration, as defined below - expressed as a percent of annual Surcharge revenues.

Operating Costs (% of Revenues)

	Total	Surcharge Collection	Program Delivery	Administration
1999/00 Results	17.0%	3.7%	5.5%	7.8%
2000/01 Results	13.8%	2.5%	4.7%	6.6%
2001/02 Results	13.3%	2.5%	3.9%	6.9%
2002/03 Results	11.1%	2.6%	4.0%	4.5%
2003/04 Results	11.9%	3.5%	2.7%	5.7%
2003/04 Target	13.5%	3.5%	4.5%	5.5%

Definition of Headings

Surcharge Collection – The cost of collecting the Surcharge on the sale of over 2.5 million tires annually, as remitted by 1800 registrants throughout Alberta, and including registration, compliance and recovery actions.

Program Delivery – The direct cost of operating the TRMA funding programs, including the evaluation, approval and compliance monitoring of the collection, processing, and use of recycled scrap tire material, as well as developmental projects.

Administration – Expenditures resulting from the general administration of the TRMA including activities of the Board of Directors and Association, staff, communications, computer systems, space, supplies, and overhead expenses, but excluding amortization.

Total – The total of the above three categories, as defined, which represents the cost to operate the TRMA. (Expenditures that are not included in "operation costs" but which are included in the financial statements are: payments to tire recyclers under the Incentive Program; payments to funding recipients under the Developmental Programs; and amortization and investment management fees deducted from investment earnings.)

Results

- Operational costs are gradually decreasing due to efforts to streamline program policies and procedures and general administrative operations.

Comments

- The TRMA Board strives to reach the highest operational standards by setting operational expenditures targets and monitoring its operational expenses.

Auditors' report



To the members of Tire Recycling Management Association of Alberta.

We have audited the statement of financial position of the Tire Recycling Management Association of Alberta as at March 31, 2004 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2004 and the results of its operations, the changes in its net assets and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Kingston Ross Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Accountants
Edmonton, Alberta
May 25, 2004



TRMA - Statement of Financial Position

March 31, 2004, with comparative figures for 2003

	2004	2003
Assets		
Current assets:		
• Cash	\$ 2,029,235	\$ 3,154,370
• Marketable securities (note 3)	196,276	533,713
• Accounts receivable	1,127,787	1,169,015
• Prepaid expenses	31,093	23,545
	3,384,391	4,880,643
Long-term bonds and debentures (note 3)	22,813,414	26,043,459
Deferred charges (note 4)	344,484	—
Capital assets (note 5)	122,426	30,850
	\$ 26,664,715	\$ 30,954,952
Liabilities and Net Assets		
Current liabilities:		
• Payable to recyclers	\$ 976,667	\$ 691,849
• Accounts payable and accrued liabilities	832,753	240,516
	1,809,420	932,365
Net assets:		
• Internally restricted (note 8)	12,998,210	—
• Regulated tire recycling (note 9)	11,734,659	29,991,737
• Investment in capital assets	122,426	30,850
	24,855,295	30,022,587
Commitments (note 6)	\$ 26,664,715	\$ 30,954,952

See accompanying notes to financial statements.

On behalf of the Board:


 Chairman


 Secretary/Treasurer

TRMA - Statement of Revenues and Expenditures

Year ended March 31, 2004, with comparative figures for 2003

	2004 Budget Unaudited	2004 Actual	2003 Actual
Operating revenues:			
• Advance disposal surcharges	\$ 13,562,940	\$ 13,042,257	\$ 13,109,095
• Less:			
Surcharge compliance program delivery	(432,195)	(462,198)	(334,722)
Allowance for and write off of uncollectible accounts	(45,000)	(8,088)	(14,860)
	13,085,745	12,571,971	12,759,513
Operating expenditures:			
Recycling expenditures:			
• Tire Recycling incentive programs	10,477,275	10,116,863	8,682,164
• Recycling program delivery	351,565	356,322	520,088
	10,828,840	10,473,185	9,202,252
Administration:			
• Salaries and related expenses	477,856	508,663	443,746
• General administration	118,135	214,393	115,360
• Amortization of capital assets	75,000	40,235	29,763
• Financial audit	25,000	28,691	25,000
	695,991	791,982	613,869
Total operating expenditures	11,524,831	11,265,167	9,816,121
Excess of operating revenues over expenditures	1,560,914	1,306,804	2,943,392
Net investment income:			
• Investment income	1,369,000	2,066,979	544,217
• Less:			
Investment fund program delivery	(70,216)	(87,180)	(51,729)
Investment management costs	(98,000)	(101,232)	(98,921)
	1,200,784	1,878,567	393,567
Revenue over expenditures before major recycling development initiatives:	2,761,698	3,185,371	3,336,959
Public Benefit Plan: (note 9)			
• Recycling development programs	3,043,588	2,502,664	1,084,957
• Public education and information	2,432,882	3,158,834	651,208
• Scrap tire issues management	1,773,588	2,004,310	163,691
• E-business	620,382	256,954	299,710
• Public benefit plan program delivery	344,386	429,901	339,551
	8,214,826	8,352,663	2,539,117
Excess of (expenditures over revenues) revenues over expenditures	\$(5, 453,128)	\$ (5,167,292)	\$ 797,842

See accompanying notes to financial statements

TRMA - Statement of Changes in Net Assets

Year ended March 31, 2004, with comparative figures for 2003

	Capital Assets	Internally Restricted (note 8)	Regulated Tire Recycling (note 9)	2004 Total	2003 Total
Net assets, beginning of the year	\$ 30,850	\$ —	\$ 29,991,737	\$30,022,587	\$ 29,224,745
Interfund transfers (note 8 or 9)	—	11,800,000	(11,800,000)	—	—
Net assets, after transfers	30,850	11,800,000	18,191,737	30,022,587	29,224,745
Excess of expenditures over revenues	—	—	(5,167,292)	(5,167,292)	797,842
Amortization of capital assets	(40,235)	—	40,235	—	—
Interfund transfers	—	1,198,210	(1,198,210)	—	—
Investment in capital assets	131,811	—	(131,811)	—	—
Net assets, end of year	\$ 122,426	\$12,998,210	\$ 11,734,659	\$24,855,295	\$30,022,587

See accompanying notes to financial statements.

TRMA - Statement of Cash Flows

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
Cash flows from operating activities:		
• Advance disposal surcharges collected	\$ 13,083,485	\$ 13,081,295
• Surcharge collection costs	(470,286)	(518,955)
• Scrap tire processing	(16,525,251)	(11,090,413)
• Administration	(178,525)	(811,483)
	(4,090,577)	660,444
Cash flows from investing activities:		
• Investment income	2,066,979	1,172,664
• Investment management costs	(188,412)	(163,106)
• Advance to E-waste	(344,484)	—
• Acquisition of capital assets	(131,811)	(14,989)
• Proceeds on sale of investments	1,563,170	—
• Net purchases of investments	—	990,879
	3,690	
(Decrease) Increase in cash position	(1,125,135)	664,134
Cash, beginning of year	3,154,370	2,490,236
Cash, end of year	\$ 2,029,235	\$ 3,154,370

See accompanying notes to financial statements.

TRMA – Notes to Financial Statements

Year ended March 31, 2004

1. Authority and purpose

The Tire Recycling Management Association of Alberta ("the Association") was incorporated under the *Societies Act* of the Province of Alberta on October 3, 1996. As a not-for-profit organization, no provision for corporate income taxes has been provided in these financial statements pursuant to Section 149(1)(l) of the *Income Tax Act* (Canada). Pursuant to the Tire Recycling and Management Regulation, Alberta Regulation 206/96, the Association has been delegated responsibility to administer the Tire Recycling and Management Fund and to establish and administer a scrap tire waste minimization and recycling program for Alberta in accordance with sound environmental principles.

2. Significant accounting policies

The Association bases its accounting policies on generally accepted accounting principles in Canada, specifically those comprising the accounting recommendations for not-for-profit organizations included in the Accounting Recommendations of the Canadian Institute of Chartered Accountants Handbook.

(a) Revenue recognition

The Tire Recycling and Management Regulation, Alberta Regulation 206/96, as amended requires retail registrants to remit to the Association an Advance Disposal Surcharge on prescribed new tires supplied. Revenue is recognized by the Association at the time the tires are supplied.

(b) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the

reporting period. Actual results could differ from those estimates. A significant area requiring the use of management estimates relates to the Advance Disposal Surcharges and related accounts receivable.

(c) Financial instruments

The Association's financial instruments consist of cash, accounts receivable, investments, payable to recyclers, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest or currency risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Credit risk

Credit risk arises from the potential that a registrant will fail to perform its obligations. The Association is exposed to credit risk from its registrants. However, the Association has a large number of registrants, which minimizes the concentration of credit risk.

(d) Investments

Investments are recorded at the lower of cost and market. Pooled fund investments include money market, debt and equity-based pooled funds that are widely held and diversified. Investment income on pooled funds is recognized when distributed by the fund. Other interest income is recognized when earned.

(e) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on the straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment and software	3 years
Furniture and fixtures	5 years
Leasehold improvements	5 years

TRMA - Notes to Financial Statements, continued

Year ended March 31, 2004

(f) Statement of cash flows

The Association is using the direct method in its presentation of the statement of cash flows.

(g) Accounts receivable

Accounts receivable represents management's estimate of Advance Disposal Surcharges which should have been or have been remitted by retail registrants but not yet reported to the Association. The estimate is based primarily upon average monthly remittances and the number of months not reported plus accrued interest.

1. Investments

	Coupon Rate	Maturity	Face Value	Market Value	Carrying Value
Bonds and debentures	4.00%	03/01/2006 to			
	to 7.35%	12/01/2031	\$ 7,077,007	\$ 7,659,593	\$ 7,168,013
Treasury bill	3.04%	06/17/2004	150,000	149,370	149,316
Securities:					
• Canadian				2,808,538	1,966,708
• Foreign				1,995,554	2,052,795
Accrued income				103,753	103,753
Pooled funds				12,738,015	13,373,908
Cash with custodian				45,240	45,240
Provision for writedown of investments				—	(1,850,043)
Total investments - 2004				\$ 25,500,063	\$ 23,009,690
Less: Current Portion				196,276	196,276
				\$ 25,303,787	\$ 22,813,414
Total investments - 2003				\$ 26,577,172	\$ 27,174,234

4. Deferred charges

Deferred charges consists of costs related to the startup of the E-Waste (electronic waste) initiative. These costs are expected to be recoverable from future electronic waste disposal surcharges.

5. Capital assets

	Cost	Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
Computer equipment and software	\$ 364,181	\$ 302,298	\$ 61,883	\$ 12,385
Furniture and fixtures	91,099	62,172	28,927	18,465
Leasehold improvements	35,429	3,813	31,616	—
	\$ 490,709	\$ 368,283	\$ 122,426	\$ 30,850

TRMA - Notes to Financial Statements, continued

Year ended March 31, 2004

6. Commitments

The Association has two separate contracts with a private sector company to March 1, 2008 based on scrap tires processed and sold as recycled rubber crumb or product. The annual maximum commitment under these contracts is \$1,175,000 (\$235 per tonne up to a maximum of 5,000 tonnes) for off-road tires plus \$302 per tonne for passenger, light truck and medium truck tires. Under these same contracts the Association is also committed to pay a collection incentive fee to the processor equal to \$50 per tonne of scrap tires collected.

Under the terms of a financial service and use agreement expiring August 31, 2006, the Association is charged a fee for provision of financial administration services of the controller and various staff. The agreement for financial services may be terminated by either party upon 90 days notice in writing to the other party. In addition, the Association entered into an agreement for office space to October 31, 2008. The approximate minimum payments required under these agreements in future years are as follows:

	Financial Service	Facilities	Total
2005	\$ 102,000	\$ 38,150	\$ 140,150
2006	102,000	38,150	140,150
2007	102,000	38,150	140,150
2008	-	38,150	38,150
2009	-	22,254	22,254
	\$ 306,000	\$ 174,854	\$ 480,854

7. Compensation

As required under the Tire Recycling and Management Regulation, Alberta Regulation 206/96 as amended, the remuneration and benefits paid to all members of the Board of Directors (on an individual basis by name) and to all management personnel who report directly to one or more members of the Board of Directors (on an aggregate basis) are as follows:

	2004
Board of directors' honoraria:	
Mr. Ken Albrecht	\$ 27,140
Mr. Dwight Brown (Since February 2003)	3,067
Mr. John Finn	3,817
Mr. Merv Domanko	22,961
Mr. Sid Hinton (Chairman)	69,223
Mr. Myles Kitagawa	11,319
Mr. Dennis Irving (Since September 2002)	11,835
Mr. Bart Guyon	24,905
Mr. Al Schulz (Secretary/Treasurer since 2002)	29,898
Mr. John Trefanenko	24,211
Mr. Bruce MacKenzie	16,176
	\$ 244,552
Executive Director salary	\$ 106,800
Benefits salary	8,626
(allocated between recycling program delivery and staff and contracted services compensation)	\$ 115,426

TRMA – Notes to Financial Statements, continued

Year ended March 31, 2004

8. Internally restricted net assets

On April 1, 2003, the Association internally restricted net assets of \$11,800,000 through the establishment of an operating reserve such that in the event of a windup the Association would be able to sustain the provision of tire recycling and related programs to Albertans at levels equivalent to currently budgeted operating expenditures. The amount of operating reserve is subject to change at the discretion of the Board of Directors depending upon operating costs, inflation, and other factors.

9. Regulated tire recycling net assets

The regulated tire recycling net assets of the Association are subject to the restrictions as stipulated in the Tire Recycling and Management Regulation, Alberta Regulation 206/96, as amended, and are maintained for purposes of the Public Benefit Plan.

The Public Benefit Plan represents the Association's internal funding strategy directed at enhancing the benefits of tire recycling to Albertans and providing an effective and sustainable tire recycling solution. The goal of the Public Benefit Plan is to develop and deliver programs which enhance the benefits to Albertans and further develop the tire recycling industry. Programs currently in place under the Public Benefit Plan include technology development and upgrading, research and development projects, public education and information, management of scrap tire issues including site clean up, and electronic business systems which enhance or augment the delivery of tire recycling programs.

10. Budget information

Budget information, while not forming a part of the audited financial statements, is included for information purposes.

11. Subsequent events

- i) Subsequent to year-end, the Tire Recycling Management Association changed its name to the Alberta Recycling Management Authority.
- ii) Subsequent to year-end, the Association entered into a contract with Alberta Environment for the period April 1, 2004 to March 31, 2005 to commence with a Household Hazardous Waste program. As part of the contract, the Association received \$700,000 in funding from Alberta Environment.

12. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.



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The road ahead



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Management
Association
of Alberta

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